

STATE OF SOUTH CAROLINA
BEFORE THE PUBLIC SERVICE COMMISSION
DOCKET NO. 2004-90-W/S

IN THE MATTER OF:)	
)	
Total Environmental Solutions, Inc.)	INTERROGATORIES OF
Application for Increase in Rates and)	THE CONSUMER ADVOCATE
Charges for Water and Sewer Services)	(Set No. 1)
_____)	

Pursuant to S.C. Code Ann. § 37-6-601 et. seq., (1989 and Supp. 2003), and 26 S.C. Code Ann. Regs. 103-851 (1976 and Supp. 2003), this party of record and Intervenor, Elliott F. Elam, Jr., Acting Consumer Advocate for the State of South Carolina, hereby serves these Interrogatories upon Total Environmental Solutions, Inc. (TESI or Company) in Docket No. 2004-90-W/S and files the original and one (1) copy with the Honorable Bruce F. Duke, Executive Director of the South Carolina Public Service Commission.

IT IS HEREIN REQUESTED:

- A. That all information requested below, unless otherwise specified, be limited to the Company's South Carolina operations.
- B. That all information shall be provided to the undersigned in the format as requested.
- C. That all responses to the requests below be labeled using the same numbers as used herein.
- D. That if the requested information is found in other places or in other exhibits, reference not be made to those, but instead, that the information be reproduced and placed in the interrogatory response in the appropriate sequence.
- E. That any inquiries or communications relating to questions concerning clarifications of the data requested below be directed to the undersigned.

- F. That all exhibits be reduced to 8½" x 11" format.
- G. That the requested information be bound in ring binders (loose leaf notebook) or otherwise bound.
- H. That in addition to the signature and verification at the close of the Company's responses, the Company witness(es) or employee(s) responsible for the information contained in each answer be indicated.
- I. That each of these Interrogatories be reproduced at the beginning of each of the responses.
- J. That the Company provide the Consumer Advocate two copies of the responses to these Interrogatories as soon as possible, but no later than **May 17, 2004** and provide one copy to:

Michael A. Bleiweis
243 Banks Road
Easton, Connecticut 06612-1627

- K. If the response to any Interrogatory is that the information requested is not currently available, state when the information requested will be available.
- L. These Interrogatories shall be deemed to be continuing so as to require the Company to supplement or amend its responses as any additional information becomes available.
- 1-1. Please provide detailed supporting documentation for the following beliefs stated by TESI on page 1 of the Overview and Justification:
 - (a) "First, Mountain Bay failed to honestly report all of the costs it was incurring, apparently in order to avoid the Commission's close scrutiny of the owner's internal operation."
 - (b) "Second, Mountain Bay's real costs of operating and maintaining the water and sewer system were artificially low because the owner of Mountain Bay was essentially running the operation "on a shoestring."
 - (c) "And third, the owner was siphoning off what meager revenues Mountain Bay did earn, instead of properly devoting them to the ongoing maintenance of the systems."

- 1-2. Please provide a copy of SCPSC Order No. 97-392, dated May 12, 1997.
- 1-3. Please provide a copy of SCPSC Order No. 2000-824, dated October 10, 2000.
- 1-4. Please provide copies of any other orders of the South Carolina PSC regarding the Foxwood Hills subdivision utility.
- 1-5. Please detail the “ongoing regulatory problems” referred to on page 2 of the Overview and Justification.
- 1-6. Please detail the “several capital projects” (Overview, page 3) that have been performed by the company. Include name of project, description of project and cost of project.
- 1-7. Please reconcile the statement that “[t]his application utilizes a test year ended 12/31/2002 with “known and measurable” projections through 12/31/2003” with the fact that pro forma adjustments for salaries and wages, insurance and affiliated charges are annualized through calendar year 2004. (Overview, page 4)
- 1-8. The Company states that “TESI does not expect material growth at Foxwood Hills in the foreseeable future”. (Overview, page 4)
 - (a) Please detail TESI’s projections of customer growth over the next five years.
 - (b) Please provide a schedule supporting the statement that “the system has experienced approximately 2.5% annual growth since the 1994 rate filing.” (Overview, page 4)
 - (c) Please provide a schedule supporting the statement that “growth during the test year was less than 2%.” (Overview, page 4)
- 1-9. Please provide detailed support for the statement that Foxwood Hills has “one of the highest per customer operation and maintenance costs of any water or sewer utility regulated by the Commission.” (Overview, page 5)

- 1-10. Please provide a schedule detailing a breakdown of annual operating expenses for Foxwood Hills water and sewer since the 1994 rate case.
- 1-11. Please state by whom TESI was informed “that NACO was under a court order that only allowed it to sell assets with a book value of less than \$500,000.” (Overview, p.6)
- 1-12. Please provide the portion of Mountain Bay’s 1994 rate application that noted the write-off of undepreciated plant. (Overview, page 6)
- 1-13. Please provide detailed workpapers supporting Exhibit 1, “Development of TESI’s Total Purchase Price and the Allocation to the Various States Based Upon Current Data And the Number of Usage Customers as of December 31, 2003”. Such workpapers should contain, at a minimum, a detailed breakdown of Rehabilitation Costs By State, the number of usage customers used for the allocation and a detailed breakdown of the Net Book Value of Acquired Assets.
- 1-14. Please provide a schedule showing the average day, maximum day and maximum hour number of gallons of wastewater treated for each year 1999-2003.
- 1-15. Please explain how the 2,472 number of residential bills shown on Water Supporting Schedule No. 1 was determined.
 - (a) Please reconcile this number (assuming $2472/12=206$ customers) with the 209 number of residential flat rate customers shown on the Number of Customers schedule.
 - (b) Please explain why pro forma residential revenue at present rates should not be calculated as \$57,077 ($251 \text{ pro forma customers} \times 12 \times \18.95) rather than the claimed amount of \$56,395.
- 1-16. Please explain what is meant by the term “Canvassing of the Service Territory” as shown on Water and Sewer Supporting Schedule No. 2.

1-17. Please provide comparative statements of Water operating expenses for the years 1998-2001 similar to that contained in the filing:

- (a) including labor expense; and
- (b) excluding labor expense.

1-18. Regarding Water and Sewer Adjustment 2 for salaries and wages, benefits and taxes:

- (a) please explain in detail why the pro forma adjustment is approximately double the 2002 booked expense;
- (b) please provide in detail an explanation of the duties performed by the four South Carolina Office employees;
- (c) please provide a detailed schedule similar to Supporting Schedule No. 3 for each of the years 1999-2003;
- (d) please explain the column entitled "Lockhart" shown on Supporting Schedule No. 3.

1-19. Please provide workpapers detailing Water Adjustment 3 for Purchased Water expense.

1-20. Please provide workpapers detailing Water Adjustment 4 for Purchased Power expense.

1-21. Regarding Water and Sewer Adjustment 6 for Insurance expense:

- (a) please explain in detail why no Insurance expense was booked during calendar year 2002;
- (b) please provide detailed workpapers and/or invoices supporting each of the four liability premiums shown on Water and Sewer Supporting Schedule 4 for 2002, 2003 and 2004.

1-22. Regarding Water and Sewer Adjustment 7 for affiliated service charges:

- (a) please explain in detail why no affiliated service charges were booked during calendar year 2002;
- (b) please provide detailed workpapers supporting Pro Forma Year 2003 expense;
- (c) please provide detailed workpapers supporting Pro Forma Year 2004 expense.

1-23. Regarding the Company's reply to Staff Data Request No. 1:

- (a) Please provide detailed workpapers and explain which "historical costs have been adjusted for known and measurable costs from a rate making perspective." Page 1.
- (b) Please provide detailed workpapers supporting the SLECA Affiliated Charges for fiscal year 2001 shown on Supporting Schedule No. 5 Has the amortization of such costs been previously requested and approved by the SCPSC? If so, provide details. If not, why not?
- (c) Please list other jurisdictions and specific rate cases where the use of a coverage factor applied to annual debt service has been approved. Page 2
- (d) Please list other jurisdictions and specific rate cases where the use of a coverage factor applied to facility related capital costs and operating expenses has been approved. Page 2-3
- (e) Please provide a copy of the "Company's independent appraisal of the office building performed in February, 2001." Page 3
- (f) Please provide a copy of "current commercial rates in the area". Page 3
- (g) Please provide support for the statement that "SLECA hourly rates are industry competitive..." Page 4
- (h) Please provide detailed workpapers and explain the "portion of fiscal year 2001 costs for computer software [that] should be amortized for ratemaking purposes." Page 5 Has the amortization of such costs been previously requested and approved by the SCPSC? If so, provide details. If not, why not?

- (i) Please provide detailed support for the statement that “[t]he fiscal year [operating expense] cost per customer is in the range of costs generally experienced by other water and sewer utilities.” Page 5
- 1-24. Regarding Water and Sewer Adjustment 8, please provide workpapers detailing the company’s claim for estimated rate case costs. Please explain why a three-year amortization period was utilized for this adjustment.
- 1-25. Please explain why pro forma sewer residential revenue at present rates should not be calculated as \$80,944 (233 pro forma customersx12x\$28.95) rather than the claimed amount of \$80,337.
- 1-26. Please provide comparative statements of Sewer operating expenses for the years 1998-2001 similar to that contained in the filing:
 - (a) including labor expense; and
 - (b) excluding labor expense.
- 1-27. Please provide workpapers detailing Sewer Adjustment 3 for Purchased Power expense.
- 1-28. Please provide copies of the three most recent annual reports to stockholders of TESI and South Louisiana Electric Cooperative Association (SLECA).
- 1-29. Please provide the three most recent Forms 10-K of TESI and (SLECA).
- 1-30. Please provide copies of all reports filed by the company with the South Carolina Public Service Commission (including Annual Reports) over the past five years.
- 1-31. Please provide a complete copy of the company’s management contract with SLECA.

- 1-32. Please provide a detailed explanation as to why a 12.75% Operating Margin has been utilized.

Elliott F. Elam, Jr.
Acting Consumer Advocate

Hana Pokorna-Williamson
Staff Attorney

By: _____

S.C. Department of Consumer Affairs
3600 Forest Drive 3rd Floor
P.O. Box 5757
Columbia, South Carolina 29250-5757
(803) 734-4189

April 29, 2004

CERTIFICATE OF SERVICE

This is to certify that I, Elliott F. Elam, Jr., have served this day the foregoing **Interrogatories of the Consumer Advocate (Set No. 1)** upon the person(s) named below, at the address(es) set forth, by deposit in the United States mail, postage prepaid.

John F. Beach, Esquire
Ellis Lawhorne & Sims, PA
P.O. Box 2285
Columbia, SC 29202

April 29, 2004
Columbia, South Carolina